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2003 OCT -3 PM 3:11

T.R.A. DOCKET ROOM

October 3, 2003

HAND DELIVERY

Chairman Deborah Tate  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

RE: Integrated Resource Management, Inc.; Docket No. 03-00467  
Response to Data Request

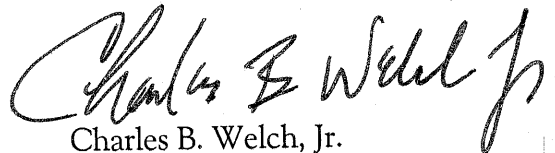
Dear Chairman Tate:

In response to Mr. Novak's letter of September 22, 2003, please find enclosed an original and 14 copies of Integrated Resource Management, Inc.'s data request responses. We ask that one file stamped copy be returned for our records.

Thank you for your assistance regarding this matter. If you have any questions or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN  
BOBANGO & HELLEN, PLC



Charles B. Welch, Jr.

CBW/cad

Enclosures

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY

INTEGRATED RESOURCE MANAGEMENT  
UTILITY, INC.

For a Certificate of Public Convenience and  
Necessity to Provide Wastewater Systems Services

)  
)  
) DOCKET NO. 03-00467

INTEGRATED RESOURCE MANAGEMENT UTILITY, INC.'S RESPONSE TO  
TENNESSEE REGULATORY AUTHORITY STAFF'S DATA REQUEST

Comes now Integrated Resource Management Utility, Inc. ("IRM") by and through its counsel of record and answers the data request of the staff of the Tennessee Regulatory Authority ("TRA") as follows:

1. Provide five year projected financial statements (i.e. balance sheet, income statement, etc.) that is in conformity with National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts. Also, include any anticipated contributed capital in the projections.

Answer: Please see Attachment A.

2. Provide the supporting calculations as to how each class of expense and revenue was arrived at as referenced in Question No. 1 above.

Answer: Please see Attachment B.

3. Provide estimates of customer growth for the next five years.

Answer: Please see Attachment C.

4. The "Sewer System Access Fee" is described as a tap fee in "Exhibit "I" of the petition. Explain why it is necessary to charge such a fee when no initial net investment in plant is indicated in the petition?

Answer: The sewer access fee is to cover the inspection of the system during the construction for Quality Control and Quality Assurance. IRM Utility will inspect septic tanks, pumps, control panels, plumbing, and treatment systems to assure that they will be installed correctly. The fee would be more appropriately designated as a "Sewer Inspection Fee." The breakdown of the fees for each of the two proposed customers is indicated as:

Cove Mountain: Prepaid IRM expense as this was already performed.

Three inspections, 3.1 hours each @ \$55.00 per hour = \$511.50

Valley Mart Exxon: Inspections to be performed during construction.

Three inspections, 3.1 hours each @ \$55.00 per hour = \$511.50

5. The petition indicates that a rebate will be paid back to the real estate developers of the customers. Explain how this is relevant to this particular filing?

Answer: The rebate is not relevant to this filing.

6. Are the proposed customers related to each other? Is IRM related to any of the proposed customers?

Answer: Gerald Miller is the owner as a sole proprietor of the Valley Mart Exxon. Mr. Miller is a partner of the stand alone company, Cove Mountain Realty. There is no relation between IRM and the proposed customers.

7. Provide signed photocopies of the developer and service agreements between IRM and the proposed customers?

Answer: Please see Attachment D.

8. In the example as provided in the petition, the blank service agreement states that a \$60 deposit will be collected, however, in IRM's proposed rules and regulations the company states that a deposit equal to twice the monthly bill be levied. Please explain the relationship, if

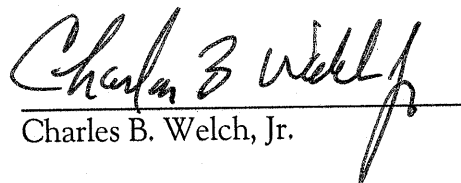
any, between the two provisions.

Answer: This should have been a blank space to be completed based on the flow of the commercial entity. The template included in the petition is designed for a residential model and was inadvertently attached to the petition.

9. Are there any franchise agreements existing or proposed between the proposed utility and any governmental entity covering the requested service territory?

Answer: Sevier County does not require a franchise agreement for this type facility.

Respectfully Submitted:

  
Charles B. Welch, Jr.

**Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility**

**Pro Forma Financial Statements  
Commercial Service for Valley Mart Exxon  
Sevier County**

<u>Account No.</u>	<u>Account Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
521.2	Flat Rate Revenue - Commercial Revenues	\$ -	\$ 300	\$ 300	\$ 300	\$ 300
522.2	Measured Revenue - Commercial Revenues	4,344	4,344	4,344	4,344	4,344
536	Other Wastewater Revenues	500	-	-	-	-
400	Operating Revenues	4,844	4,644	4,644	4,644	4,644
711.6	Sludge Removal Expense - Treat. & Disposal	320	475	340	360	495
720.4	Materials and Supplies - Pumping Expenses Mntce	230	424	424	424	424
731.3	Contractual Services - Engineering (Pumping Exp)	1,060	1,102	1,146	1,192	1,240
732.8	Contractual Services - Accounting	292	-	-	-	-
733.8	Contractual Services - Legal	208	-	-	-	-
734.3	Contractual Services - Management Fees	320	360	380	400	420
734.5	Contractual Services - Testing	400	400	400	400	400
734.8	Contractual Services - Management Fees	126	126	126	126	126
736.3	Contractual Services - Other	150	233	237	240	244
775.5	Miscellaneous Expenses - Treat & Disposal	26	27	28	29	30
775.8	Miscellaneous Expenses - A&G	15	15	15	15	15
401	Operating Expenses	3,147	3,162	3,097	3,187	3,394
408.13	Taxes Other than Income - Other Taxes and Licenses	522	517	512	507	501
409.10	Income Taxes - Utility Operating Income	76	63	67	62	49
	Total Taxes and License Fees	599	580	579	569	550
26	Net Operating Income	\$ 1,098	\$ 901	\$ 968	\$ 889	\$ 700
27	Cumulative Net Operating Income	\$ 1,098	\$ 2,000	\$ 2,968	\$ 3,856	\$ 4,556

**Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility**

**Pro Forma Income Statements  
Commercial Service for Cove Mountain Realty  
Sevier County**

<u>Account No.</u>	<u>Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
521.2	Flat Rate Revenue - Commercial Revenues	\$ -	\$ 300	\$ 300	\$ 300	\$ 300
522.2	Measured Revenue - Commercial Revenues	3,636	3,636	3,636	3,636	3,636
536	Other Wastewater Revenues	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
400	Operating Revenues	4,136	3,936	3,936	3,936	3,936
711.6	Sludge Removal Expense - Treat. & Disposal	-	-	135	-	135
720.4	Materials and Supplies - Pumping Expenses Mntce	424	454	484	504	524
731.3	Contractual Services - Engineering (Pumping Exp)	1,060	1,102	1,146	1,192	1,240
732.8	Contractual Services - Accounting	292	-	-	-	-
733.8	Contractual Services - Legal	208	-	-	-	-
734.3	Contractual Services - Management Fees	480	500	520	540	560
734.5	Contractual Services - Testing	400	400	400	400	400
734.8	Contractual Services - Management Fees	126	126	126	126	126
736.3	Contractual Services - Other	230	233	237	240	244
775.5	Miscellaneous Expenses - Treat & Disposal	26	27	28	29	30
775.8	Miscellaneous Expenses - A&G	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
401	Operating Expenses	3,261	2,857	3,092	3,047	3,274
408.13	Taxes Other than Income - Other Taxes and Licenses	724	718	711	704	697
409.10	Income Taxes - Utility Operating Income	<u>10</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>
	Total Taxes and License Fees	734	722	716	709	703
	Net Operating Income	\$ 141	\$ 357	\$ 129	\$ 180	\$ (41)
	Cumulative Net Operating Income	\$ 141	\$ 498	\$ 627	\$ 807	\$ 766

Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility

IRM Utility, Inc.  
Pro Forma Balance Sheets

<u>Line No.</u>	<u>Description</u>	<u>As of</u> <u>July 28, 2003</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b><u>Assets:</u></b>							
131.2	Cash on hand	358	1,597	2,855	3,952	5,021	5,680
135	Temporary Cash Investments	45,529	44,819	44,854	44,845	44,857	44,893
141	Customer Accounts Receivable	-	665	665	665	665	665
162	Prepayments	-	400	400	400	400	400
	Total current assets	45,887	47,481	48,774	49,862	50,943	51,638
101	Utility Plant in Service	-	68,958	68,958	68,958	68,958	68,958
108	Accumulated Depreciation of Utility Plant in Service	-	(4,600)	(9,200)	(13,800)	(18,400)	(23,000)
271	Contributions in Aid of Construction	-	(68,958)	(68,958)	(68,958)	(68,958)	(68,958)
272	Accumulated Amortization of Contributions in Aid of Construction	-	4,600	9,200	13,800	18,400	23,000
186	Miscellaneous Deferred Debits	-	11,500	11,500	11,500	11,500	11,500
	<b>Total Assets</b>	<b>\$ 45,887</b>	<b>\$ 58,981</b>	<b>\$ 60,274</b>	<b>\$ 61,362</b>	<b>\$ 62,443</b>	<b>\$ 63,138</b>
<b><u>Liabilities and Stockholders' Equity:</u></b>							
<b><u>Liabilities:</u></b>							
231	Accounts payable	-	355	390	381	393	429
224	Long-term debt	-	-	-	-	-	-
	Total liabilities	-	355	390	381	393	429
<b><u>Stockholders' Equity:</u></b>							
201	Common stock, par value \$100	26,000	26,000	26,000	26,000	26,000	26,000
211	Additional paid-in capital	9,716	21,216	21,216	21,216	21,216	21,216
215	Retained earnings (beginning of period)	10,171	10,171	11,410	12,668	13,765	14,834
	Current period net income of commercial properties	-	1,239	1,258	1,097	1,069	659
215	Retained earnings (end of period)	10,171	11,410	12,668	13,765	14,834	15,493
	Total stockholders equity	45,887	58,626	59,884	60,981	62,050	62,709
	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 45,887</b>	<b>\$ 58,981</b>	<b>\$ 60,274</b>	<b>\$ 61,362</b>	<b>\$ 62,443</b>	<b>\$ 63,138</b>

**Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility**

**Pro Forma Financial Statements  
Commercial Service for Valley Mart Exxon  
Sevier County**

<u>Account No.</u>	<u>Account Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
521.2	Flat Rate Revenue - Commercial Revenues	\$ -	\$ 300	\$ 300	\$ 300	\$ 300
522.2	Measured Revenue - Commercial Revenues	4,344	4,344	4,344	4,344	4,344
536	Other Wastewater Revenues	500	-	-	-	-
400	Operating Revenues	4,844	4,644	4,644	4,644	4,644
711.6	Sludge Removal Expense - Treat. & Disposal	320	475	340	360	495
720.4	Materials and Supplies - Pumping Expenses Mntce	230	424	424	424	424
731.3	Contractual Services - Engineering (Pumping Exp)	1,060	1,102	1,146	1,192	1,240
732.8	Contractual Services - Accounting	292	-	-	-	-
733.8	Contractual Services - Legal	208	-	-	-	-
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775.8	Miscellaneous Expenses - A&G	15	15	15	15	15
401	Operating Expenses	3,147	3,162	3,097	3,187	3,394
408.13	Taxes Other than Income - Other Taxes and Licenses	522	517	512	507	501
409.10	Income Taxes - Utility Operating Income	72	59	63	58	46
	Total Taxes and License Fees	594	576	575	565	547
26	Net Operating Income	\$ 1,103	\$ 905	\$ 972	\$ 892	\$ 703
27	Cumulative Net Operating Income	\$ 1,103	\$ 2,008	\$ 2,980	\$ 3,873	\$ 4,575
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<b><u>Tax Calculation</u></b>					
	<b><u>Ad valorem tax</u></b>					
	Appraised property value (water treatment facilities)	\$17,097	\$15,957	\$14,817	\$13,678	\$12,538
	Assessment ratio	40%	40%	40%	40%	40%
	Assessed value	\$ 6,839	\$ 6,383	\$ 5,927	\$ 5,471	\$ 5,015
	2002 Sevier County tax rate (no city rates apply)	1.45	1.45	1.45	1.45	1.45
	Ad valorem tax	\$ 99	\$ 93	\$ 86	\$ 79	\$ 73
	<b><u>Franchise tax</u></b>					
	Outstanding capital stock, surplus, and profits	\$ 58,626	\$ 59,884	\$ 60,981	\$ 62,050	\$ 62,709
	State of Tennessee franchise tax rate	0.25	0.25	0.25	0.25	0.25
	Franchise tax allocation between two properties	\$ 73	\$ 75	\$ 76	\$ 78	\$ 78
	<b><u>Excise tax</u></b>					
	Operating income before excise tax	\$ 1,103	\$ 906	\$ 972	\$ 893	\$ 703
	Excise tax rate	6.5%	6.5%	6.5%	6.5%	6.5%
	Excise tax	\$ 72	\$ 59	\$ 63	\$ 58	\$ 46
	<b><u>Tennessee Regulatory Assessment Fee</u></b>					
	0.5% of gross receipts or \$100 minimum	100	100	100	100	100



**Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility**

**Pro Forma Income Statements  
Commercial Service for Cove Mountain Realty  
Sevier County**

<u>Account No.</u>	<u>Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
521.2	Flat Rate Revenue - Commercial Revenues	\$ -	\$ 300	\$ 300	\$ 300	\$ 300
522.2	Measured Revenue - Commercial Revenues	3,636	3,636	3,636	3,636	3,636
536	Other Wastewater Revenues	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
400	Operating Revenues	4,136	3,936	3,936	3,936	3,936
711.6	Sludge Removal Expense - Treat. & Disposal	-	-	135	-	135
720.4	Materials and Supplies - Pumping Expenses Mntce	424	454	484	504	524
731.3	Contractual Services - Engineering (Pumping Exp)	1,060	1,102	1,146	1,192	1,240
732.8	Contractual Services - Accounting	292	-	-	-	-
733.8	Contractual Services - Legal	208	-	-	-	-
734.3	Contractual Services - Management Fees	480	500	520	540	560
734.5	Contractual Services - Testing	400	400	400	400	400
734.8	Contractual Services - Management Fees	126	126	126	126	126
736.3	Contractual Services - Other	230	233	237	240	244
775.5	Miscellaneous Expenses - Treat & Disposal	26	27	28	29	30
775.8	Miscellaneous Expenses - A&G	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
401	Operating Expenses	3,261	2,857	3,092	3,047	3,274
408.13	Taxes Other than Income - Other Taxes and Licenses	724	718	711	704	697
409.10	Income Taxes - Utility Operating Income	<u>9</u>	<u>22</u>	<u>8</u>	<u>11</u>	<u>(2)</u>
	Total Taxes and License Fees	733	740	719	716	695
	Net Operating Income	\$ 142	\$ 339	\$ 125	\$ 174	\$ (33)
	Cumulative Net Operating Income	\$ 142	\$ 481	\$ 606	\$ 780	\$ 746
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<b><u>Tax Calculation</u></b>					
	<b><u>Ad valorem tax</u></b>					
	Appraised property value (water treatment facilities)	\$51,861	\$50,478	\$49,095	\$47,712	\$46,329
	Assessment ratio	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>
	Assessed value	\$ 20,744	\$ 20,191	\$ 19,638	\$ 19,085	\$ 18,532
	2002 Sevier County tax rate (no city rates apply)	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>
	Ad valorem tax	\$ 301	\$ 293	\$ 285	\$ 277	\$ 269
	<b><u>Franchise tax</u></b>					
	Outstanding capital stock, surplus, and profits	\$ 58,626	\$ 59,884	\$ 60,981	\$ 62,050	\$ 62,709
	State of Tennessee franchise tax rate	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
	Franchise tax	\$ 73	\$ 75	\$ 76	\$ 78	\$ 78
	<b><u>Excise tax</u></b>					
	Operating income before taxes	\$ 142	\$ 338	\$ 125	\$ 173	\$ (33)
	Excise tax rate	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>
	Excise tax	\$ 9	\$ 22	\$ 8	\$ 11	\$ (2)
	<b><u>Tennessee Regulatory Assessment Fee</u></b>					
	0.5% of gross receipts or \$100 minimum	100	100	100	100	100

Petition of a Wastewater Company, IRM Utility, Inc.,  
for a  
Certificate of Public Convenience and Necessity  
for an Investor Owned Utility.

IRM Utility, Inc.  
Pro Forma Balance Sheets

<u>Line No.</u>	<u>Description</u>	<u>As of</u> <u>July 28, 2003</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b><u>Assets:</u></b>							
131.2	Cash on hand	358	1,603	2,847	3,944	5,010	5,680
135	Temporary Cash Investments	45,529	44,819	44,854	44,845	44,857	44,893
141	Customer Accounts Receivable	-	665	665	665	665	665
162	Prepayments	-	400	400	400	400	400
	Total current assets	45,887	47,487	48,766	49,854	50,932	51,638
101	Utility Plant in Service	-	68,958	68,958	68,958	68,958	68,958
108	Accumulated Depreciation of Utility Plant in Service	-	(4,600)	(9,200)	(13,800)	(18,400)	(23,000)
271	Contributions in Aid of Construction	-	(68,958)	(68,958)	(68,958)	(68,958)	(68,958)
272	Accumulated Amortization of Contributions in Aid of Construction	-	4,600	9,200	13,800	18,400	23,000
186	Miscellaneous Deferred Debits	-	11,500	11,500	11,500	11,500	11,500
	<b>Total Assets</b>	<b>\$ 45,887</b>	<b>\$ 58,987</b>	<b>\$ 60,266</b>	<b>\$ 61,354</b>	<b>\$ 62,432</b>	<b>\$ 63,138</b>
<b><u>Liabilities and Stockholders' Equity:</u></b>							
<b>Liabilities:</b>							
231	Accounts payable	-	355	390	381	393	429
224	Long-term debt	-	-	-	-	-	-
	Total liabilities	-	355	390	381	393	429
<b>Stockholders' Equity:</b>							
201	Common stock, par value \$100	26,000	26,000	26,000	26,000	26,000	26,000
211	Additional paid-in capital	9,716	21,216	21,216	21,216	21,216	21,216
215	Retained earnings (beginning of period)	10,171	10,171	11,416	12,660	13,757	14,823
	Current period net income of commercial properties	-	1,245	1,244	1,097	1,066	670
215	Retained earnings (end of period)	10,171	11,416	12,660	13,757	14,823	15,493
	Total stockholders equity	45,887	58,632	59,876	60,973	62,039	62,709
	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 45,887</b>	<b>\$ 58,987</b>	<b>\$ 60,266</b>	<b>\$ 61,354</b>	<b>\$ 62,432</b>	<b>\$ 63,138</b>

**IRM Utility, Inc.**  
**Response to the Staff of the Tennessee Regulatory Authority**  
**First Set of Data Requests**  
**Question 2**

2. Provide the supporting calculations as to how each class of expense and revenue was arrived at as referenced in Question No. 1 above.

**Response:**

Account 521.2 - Flat Rate Revenue – Commercial Revenues

The \$300.00 represents an annual service agreement fee to be charged by IRM Utility, Inc. The Cove Mountain Realty ("CMR") and the Valley Mart Exxon ("VME") sites have an annual permit fee of \$250.00 (see account 408.13) as required by the Tennessee Department of Environment and Conservation ("TDEC"). There is also a requirement of an annual report to accompany the permit fee. It is estimated that it will cost \$50.00 to prepare the annual report (clerical time of 4 hours at \$12.50 per hour to prepare the report).

Account 522.2 – Measured Revenue – Commercial Revenues

The annual revenues are derived from the proposed tariff rate.

CMR: Commercial Site without Food Service      2,000 gallons per day  
Minimum Fee \$70.00 +

$\$14.00/100$  to 1,000 gallons/day +  
 $\$135$  for the next 1,000 gallons =  
 $\$303.00/\text{month} * 12 \text{ months} = \$3,636.00$  per year.

VME: Commercial Site with Food Service    2,000 gallons per day  
Minimum Fee \$90.00 +

$\$16.00/100$  to 1,000 gallons/day +  
 $\$160$  for the next 1,000 gallons =  
 $\$362.00/\text{month} * 12 \text{ months} = \$4,344$  per year.

Account 536 – Other Wastewater Revenues

Please see the response to TRA Staff Data Request No. 4.

Account 400 – Operating Revenues

The sum of the series of 500 accounts.

Account 711.6 – Sludge Removal Expense – Treatment and Disposal

The expenses represent quotes from area vendors providing septic tank and grease trap pumping services:

Power Pumping of Seymour can pump two or more tanks at a time for \$270.00.

RBM Company, Inc. of Knoxville charges \$183.00 for grease disposal.

*IRM Utility, Inc.*  
*Response to the Staff of the Tennessee Regulatory Authority Data Request*  
*Question 2*  
*Page 2*

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Davis Plumbing sets a base of \$76.00 and will require an on-site review to provide a firm quote.

The market value for these services is approximately \$135.00 for septic tank pumping only and \$165.00 for grease trap pumping. The septic tank pumping is based upon a 30 month cycle and the grease trap pumping is anticipated to be contracted for semi-annually.

Account 720.4 – Materials & Supplies – Pumping Expenses (Maintenance)

IRM Utility, Inc. recognizes the need for on-going maintenance of the system and has estimated the costs for the replacement of pressure sensitive parts, electrical parts, and plumbing (e.g. true union ball valves at \$69.00, check valves at \$29.00, smart filter switches at \$79.00, pump float switches at \$49.00, fuse box switches at \$6.99, gaskets on tank lids at \$8.99, pressure release valves at \$29.00, pipe glues and cements at \$45.00) and many other items. A total of \$424.00 has been budgeted for fatigued items along with minor growth increments of \$20.00 annually.

Account 731.3 – Contractual Services – Engineering Pumping Expenses (Operations)

On a quarterly basis, there will need to be manual operation of the back flush of the drip fields, power washing effluent filters, operation and inspections of the pumps, observations of the dosing cycles of the treatment media, checking timers, and recalculating run times based upon actual function. It is estimated that these services will require 4 trips at 4 hours per trip at \$65.00 per hour for a total of \$1,060.00 per year. There is an annual growth factor of 4% assumed for these services.

Account 732.8 – Contractual Services – Accounting (General and Administrative)

The allocation of the fees for accounting services rendered in support of the Company's Petition for a Certificate of Convenience and Necessity. Each project is allocated \$292.00 for accounting services; the balance of these professional fees is recorded to Account 186 (Miscellaneous Deferred Debits).

Account 733.8 – Contractual Services – Legal (General and Administrative)

The allocation of the fees for accounting services rendered in support of the Company's Petition for a Certificate of Convenience and Necessity. Each project is allocated \$208.00 for legal services; the balance of these professional fees is recorded to Account 186 (Miscellaneous Deferred Debits).

Account 734.3 – Contractual Services Management Fees Pumping Expense (Operations)

Account 734.5 – Contractual Services – Testing Treatment and Disposal (Operations)

These charges are for regulatory compliance and analytical costs. Brookside Laboratories is a certified wastewater laboratory and will provide analysis for BOD and NH<sub>4</sub>-N at a cost of \$18.00 and \$9.00, respectively. Fecal coli form analysis will cost \$40.00. The samples need to be contained in special bottles at \$1.00 per bottle. Mailers and freezer packs are an additional \$2.00 each. The samples will be shipped overnight by

**IRM Utility, Inc.**  
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Federal Express with an estimated cost of \$28.00, depending upon item weight. The budgeted cost for these services is \$98.00 per quarter of \$392.00 per year.

Contractual Services - Management Fees (General and Administrative)

The assessment of the corporate management fee assessed to each project by IRM Utility, Inc. to cover centralized expenses (e.g. headquarters office, accounting services, purchasing functions, etc.) that benefit all projects.

Account 736.3 – Contractual Services – Other Pumping Expenses (Operations)

The amounts reflect the estimated cost to provide customer support functions including billing and collection. The customer support budget is based upon a labor rate of \$25.00 per hour for 1 hour per month for a total cost of \$300.00 per year. The estimated cost is allocated evenly between the two commercial projects (\$150.00 per year).

Account 775.5 – Miscellaneous Expenses – Treatment and Disposal (Operations)

Account 775.8 – Miscellaneous Expenses – General and Administrative

Estimated cost of office supplies in support of projects (e.g. paper clips, paper, printer cartridges, files, folders, etc.).

Account 401 – Operating Expenses

The sum of the series of 700.xx accounts.

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**Account 408.13 – Taxes Other Than Income – Other Taxes and Licenses**

CMR:

	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>	<u><b>Year 4</b></u>	<u><b>Year 5</b></u>
<u><b>Ad valorem tax:</b></u>					
Appraised property value of wastewater facilities	\$51,861	\$50,478	\$49,095	\$47,712	\$46,329
Assessment ratio	40%	40%	40%	40%	40%
Assessed value	\$20,744	\$20,191	\$19,638	\$19,085	\$18,532
2002 Sevier County tax rate	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>
Ad valorem tax	\$301	\$293	\$285	\$277	\$269
<u><b>Franchise tax:</b></u>					
Outstanding capital stock, surplus, and profits	\$58,626	\$59,884	\$60,981	\$62,050	\$62,709
Franchise tax rate	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Franchise tax allocation for each commercial site	\$73	\$75	\$76	\$78	\$78
<u><b>Tennessee Regulatory Assessment Fee:</b></u>					
0.5% of gross receipts or \$100 minimum	\$100	\$100	\$100	\$100	\$100
TN environmental fee	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>
Total Account 408.13	\$724	\$718	\$711	\$705	\$697

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VME:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>Ad valorem tax:</u>					
Appraised property value of wastewater facilities	\$17,097	\$15,957	\$14,817	\$13,678	\$12,538
Assessment ratio	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>
Assessed value	\$6,839	\$6,383	\$5,927	\$5,471	\$5,015
2002 Sevier County tax rate	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>
Ad valorem tax	\$99	\$93	\$86	\$79	\$73
<u>Franchise tax:</u>					
Outstanding capital stock, surplus, and profits	\$58,626	\$59,884	\$60,981	\$62,050	\$62,709
Franchise tax rate	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Franchise tax	\$73	\$75	\$76	\$78	\$78
<u>TRA Assessment Fee:</u>					
0.5% of gross receipts or \$100 minimum	\$100	\$100	\$100	\$100	\$100
TN environmental fee	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>	<u>\$250</u>
Total Account 408.13	\$522	\$518	\$512	\$507	\$501

Account 409.10 – Income Taxes – Utility Operating Income

CMR:

<u>Excise Tax</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Operating income before excise tax	\$151	\$62	\$69	\$76	\$83
Excise tax rate	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>
Excise tax	\$10	\$4	\$4	\$5	\$5

VME:

<u>Excise Tax</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Operating income before excise tax	\$1,175	\$964	\$1,035	\$951	\$748
Excise tax rate	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>
Excise tax	\$76	\$63	\$67	\$62	\$49

***IRM Utility, Inc.***  
***Response to the Staff of the Tennessee Regulatory Authority Data Request***  
***Question 2***  
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P.O. Box 642  
3444 Saint Andrews Drive  
White Pine, Tennessee 37890  
Phone (Vol) 674-0828  
Facsimile (Vol) 674-2352  
Toll Free (877) 746-2910

Cove Mountain Realty, Inc.  
3174 Wears Valley Road  
Sevierville, Tennessee 37862

This Agreement made and entered into this 4<sup>th</sup> day of June, 2003, by and between IRM Utilities, Inc., a Tennessee Corporation, hereinafter referred to as "Utility" and Cove Mountain Realty, Inc., hereinafter referred to as "Developer".

For and in consideration of valuable consideration, the receipt of all which is acknowledged, the parties hereto enter into the following agreement:

#### TERMS

Particularly that the Utility will in the future be responsible for the repair, maintenance, and replacement of the sewage collection, treatment, and disposal system to be installed to serve this development and to maintain the total system, and other good, and the Developer shall install a sewage collection, treatment, and disposal system (hereinafter "System") to serve the Cove Mountain Realty office, hereinafter referred to as the "Development", and shall do so in accordance with those drawings, plans, and specifications as approved by the Utility's engineers.

The Developer shall, at its sole expense (including all fees and construction costs), perform all of the necessary work for the installation of said System in accordance with the drawings, plans, and specifications referred to hereinbefore.

Construction of the System shall be subject to the supervision and approval of the Utility's engineers and representatives, who shall have a right of inspection throughout the progress of the work. Developer agrees that it shall not backfill soils over or cover any pipe, fittings, or connections until first inspected and approved by the Utility.

IRM Utility, Inc. & Cove Mountain Realty, Inc.

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June 4, 2003

**ATTACHMENT D**  
IRM UTILITIES, INC.

If, prior to the actual installation of the facilities provided for in the plans and specifications, the Plat of the Subdivision shall be changed by mutual agreement of the parties hereto, then such changes shall be deemed incorporated in this contract as though set out herein. A copy of any such changed plans shall be attached to this agreement and made a part hereof.

The Utility will petition the Tennessee Regulatory Authority for a Certificate of Public Convenience and Necessity (CCN) for the Development. The funds paid to the Utility will be used at the discretion of the Utility to perform this function. The funds are non-refundable in the event the petition is not granted for any reason whatsoever. The Utility does not guarantee that a CCN will be granted for the Development. The Utility will be held harmless for any and all prior and future financial obligations the Developer incurs related to this Development.

The Developer shall have the duty to immediately repair, at its own cost and expense, all breaks, leaks, or defects in the System, of any type-whatsoever, which occur within one (1) year from the date the System is accepted by the Utility. In the event that Developer shall fail to make such immediate repairs then the Utility shall be authorized to make such repairs at the sole expense of the Developer.

The developer will supply as built plans with an operations manual for said system.

The developer will facilitate and execute Restrictive Covenants and Bi-Laws (Bi-Laws) of the Development that provide or indicate: a service agreement or contract between the owner and the Utility will be required by each homeowner to establish wastewater service, the Utility will charge an initial fee or tap fee and a monthly fee, the fee is to be determined and will be established by a proposal to the Tennessee Regulatory Authority (TRA), and a description of the Septic Tank Effluent Pumping system that is approved by the engineers of the Utility. It will be stipulated that only the approved system or equal that is approved by the Utility can be utilized.

The Developer shall install service connections for all service sewers to the property line, common area, or easement of each lot or building site in said subdivision. Watertight tanks and service connection lines may be installed by builder or developer at their respective expense. The septic tank effluent pumping (STEP) system will be as approved by the Utility.

Nothing herein contained shall abridge the Utility's right to extend this System as it deems appropriate.

The Developer hereby represents and warrants that all materials incorporated into the System, and all of its subcontractors, shall be paid for in full upon

completion of the installation of the System and that no liens or encumbrances shall remain for the installation of said work.

The Developer hereby represents and warrants that the System will be in conformance with the foregoing provisions, and the plans and specifications above mentioned, and that written easements will be provided five feet (5') in width on each side of the center line of all sewers installed hereunder, other than sewers along public right-of-way.

It is agreed that the Utility shall have exclusive ownership of the System in the subdivision and the Developer shall convey to the Utility, free and clear of all encumbrances.

In Witness Whereof, the parties hereto have entered into this agreement as of the day and date first written above.

Utility – IRM Utility, Inc.

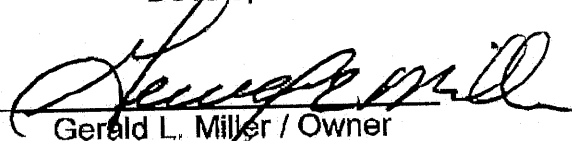


Jeffrey W. Cox, Sr. / President

6-4-03

Date

Developer



Gerald L. Miller / Owner

10-1-03

Date



Chuck A. McGinnis / Owner

6/4/03

Date

## Sewer Service Agreement

**IRM** Utility, Inc.  
P.O. Box 642  
White Pine, TN 37890

This agreement entered into between **IRM** Utility, Inc., a Tennessee Corporation, Hereinafter called "**IRM** Utility" and COVE Mtn REALTY, INC. Hereinafter called "customer."

### WITNESSETH

Whereas, customer desires to purchase sewer services from **IRM** Utility and to enter into a sewer service agreement and **IRM** Utility desires to provide sewer services.

Now therefore, in consideration of the mutual covenants, promises, and agreements herein contained, it is hereby understood and agreed by the parties hereto as follows:

In compliance with laws and environmental regulation set forth by the state of Tennessee, **IRM** Utility shall provide sewer services to the customer's property located at the following address:

Address 3174 WEARS VALLEY ROAD  
Lot Number/Subdivision N/A  
City/State SEUIERVILLE, TN 37862

The customer agrees to grant to **IRM** Utility, its successors and assigns, a perpetual easement in, over, under and upon the above described land, with the right to erect, construct, install and maintain sewer system components.

The customer shall be responsible for operation and repair of the outfall line to the septic tank and all plumbing in structures on the property described above and.

The customer agrees to follow the guide lines set forth in the **USER MANUAL** (List or Required Practices).

**IRM** Utility shall be responsible for operation and repair of all components of the sewer system starting at the septic tank as described above and all elements of the STEG (septic tank effluent gravity) or STEP (septic tank pumping) system.

The customer agrees to pay a security deposit of \$60.00 and to pay for sewer service in accordance with authorized rate schedules present and future and to use same in accordance with applicable rules and regulations that have been provided. The time and place of payment will be as set forth by **IRM** Utility.

**IRM** Utility shall purchase and install a cut-off valve and shall have exclusive right to use such valve.

The failure of customer to pay sewer service charges duly imposed shall result in the imposition of the following penalties:

1. Payment after the due date will be subject to a penalty of five percent of the delinquent account.
2. Nonpayment within thirty days from the due date will result in the sewer service being shut off from the customer's property, with no final notice being sent.
3. In the event it becomes necessary for IRM Utility to shut off the sewer service from the customer's property, a fee of \$10.00 will be charged for disconnection of the service.
4. Before the service can be reconnected, all charges must be paid, including a re-connection fee of \$15.00.
5. A \$20.00 service charge will be applied for any returned checks.

This agreement shall remain in effect for the duration of time that the customer owns the above described property.

IN WITNESS THEREOF, we have executed this agreement this 1<sup>ST</sup> day of OCTOBER, 2003

**IRM** Utility, Inc.

President

Customer



P.O. Box 642  
3444 Saint Andrews Drive  
White Pine, Tennessee 37890  
Phone (Vol) 674-0828  
Facsimile (Vol) 674-2352  
Toll Free (877) 746-2910

Valley Mart Exxon  
Gerald L. Miller  
3201 Wears Valley Road  
Sevierville, Tennessee 37862

This Agreement made and entered into this 4<sup>th</sup> day of June, 2003, by and between IRM Utilities, Inc., a Tennessee Corporation, hereinafter referred to as "Utility" and Gerald L. Miller, hereinafter referred to as "Developer".

For and in consideration of valuable consideration, the receipt of all which is acknowledged, the parties hereto enter into the following agreement:

#### TERMS

Particularly that the Utility will in the future be responsible for the repair, maintenance, and replacement of the sewage collection, treatment, and disposal system to be installed to serve this development and to maintain the total system, and other good, and the Developer shall install a sewage collection, treatment, and disposal system (hereinafter "System") to serve the Valley Mart Exxon, hereinafter referred to as the "Development", and shall do so in accordance with those drawings, plans, and specifications as approved by the Utility's engineers.

The Developer shall, at its sole expense (including all fees and construction costs), perform all of the necessary work for the installation of said System in accordance with the drawings, plans, and specifications referred to hereinbefore.

Construction of the System shall be subject to the supervision and approval of the Utility's engineers and representatives, who shall have a right of inspection throughout the progress of the work. Developer agrees that it shall not backfill soils over or cover any pipe, fittings, or connections until first inspected and approved by the Utility.

If, prior to the actual installation of the facilities provided for in the plans and specifications, the Plat of the Subdivision shall be changed by mutual agreement

IRM Utility, Inc. & Gerald L. Miller

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June 4, 2003

of the parties hereto, then such changes shall be deemed incorporated in this contract as though set out herein. A copy of any such changed plans shall be attached to this agreement and made a part hereof.

The Utility will petition the Tennessee Regulatory Authority for a Certificate of Public Convenience and Necessity (CCN) for the Development. The funds paid to the Utility will be used at the discretion of the Utility to perform this function. The funds are non-refundable in the event the petition is not granted for any reason whatsoever. The Utility does not guarantee that a CCN will be granted for the Development. The Utility will be held harmless for any and all prior and future financial obligations the Developer incurs related to this Development.

The Developer shall have the duty to immediately repair, at its own cost and expense, all breaks, leaks, or defects in the System, of any type-whatsoever, which occur within one (1) year from the date the System is accepted by the Utility. In the event that Developer shall fail to make such Immediate repairs then the Utility shall be authorized to make such repairs at the sole expense of the Developer.

The developer will supply as built plans with an operations manual for said system.

The developer will facilitate and execute Restrictive Covenants and Bi-Laws (Bi-Laws) of the Development that provide or indicate: a service agreement or contract between the owner and the Utility will be required by each homeowner to establish wastewater service, the Utility will charge an initial fee or tap fee and a monthly fee, the fee is to be determined and will be established by a proposal to the Tennessee Regulatory Authority (TRA), and a description of the Septic Tank Effluent Pumping system that is approved by the engineers of the Utility. It will be stipulated that only the approved system or equal that is approved by the Utility can be utilized.

The Developer shall install service connections for all service sewers to the property line, common area, or easement of each lot or building site in said subdivision. Watertight tanks and service connection lines may be installed by builder or developer at their respective expense. The septic tank effluent pumping (STEP) system will be as approved by the Utility.

Nothing herein contained shall abridge the Utility's right to extend this System as it deems appropriate.

The Developer hereby represents and warrants that all materials incorporated into the System, and all of its subcontractors, shall be paid for in full upon completion of the installation of the System and that no liens or encumbrances shall remain for the installation of said work.

IRM Utility, Inc. & Gerald L. Miller

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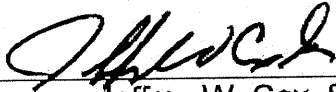
June 4, 2003

The Developer hereby represents and warrants that the System will be in conformance with the foregoing provisions, and the plans and specifications above mentioned, and that written easements will be provided five feet (5') in width on each side of the center line of all sewers installed hereunder, other than sewers along public right-of-way.

It is agreed that the Utility shall have exclusive ownership of the System in the subdivision and the Developer shall convey to the Utility, free and clear of all encumbrances.

In Witness Whereof, the parties hereto have entered into this agreement as of the day and date first written above.

Utility – IRM Utility, Inc.

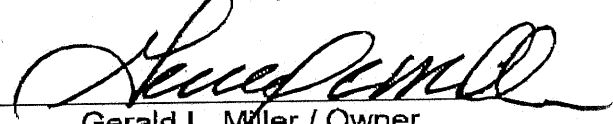


Jeffrey W. Cox, Sr.

6-4-03

Date

Developer



Gerald L. Miller / Owner

10-1-03

Date



## Sewer Service Agreement

**IRM** Utility, Inc.  
P.O. Box 642  
White Pine, TN 37890

This agreement entered into between **IRM** Utility, Inc., a Tennessee Corporation, Hereinafter called "**IRM** Utility" and VALLEY MART EXXON Hereinafter called "customer."

### WITNESSETH

Whereas, customer desires to purchase sewer services from **IRM** Utility and to enter into a sewer service agreement and **IRM** Utility desires to provide sewer services.

Now therefore, in consideration of the mutual covenants, promises, and agreements herein contained, it is hereby understood and agreed by the parties hereto as follows:

In compliance with laws and environmental regulation set forth by the state of Tennessee, **IRM** Utility shall provide sewer services to the customer's property located at the following address:

Address 3201 WEARS VALLEY ROAD  
Lot Number/Subdivision N/A  
City/State SEVIERVILLE, TN 37862

The customer agrees to grant to **IRM** Utility, its successors and assigns, a perpetual easement in, over, under and upon the above described land, with the right to erect, construct, install and maintain sewer system components.

The customer shall be responsible for operation and repair of the outfall line to the septic tank and all plumbing in structures on the property described above and.

The customer agrees to follow the guide lines set forth in the USER MANUAL (List or Required Practices).

**IRM** Utility shall be responsible for operation and repair of all components of the sewer system starting at the septic tank as described above and all elements of the STEG (septic tank effluent gravity) or STEP (septic tank pumping) system.

The customer agrees to pay a security deposit of \$60.00 and to pay for sewer service in accordance with authorized rate schedules present and future and to use same in accordance with applicable rules and regulations that have been provided. The time and place of payment will be as set forth by **IRM** Utility.

**IRM** Utility shall purchase and install a cut-off valve and shall have exclusive right to use such valve.

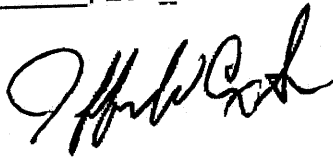
The failure of customer to pay sewer service charges duly imposed shall result in the imposition of the following penalties:

1. Payment after the due date will be subject to a penalty of five percent of the delinquent account.
2. Nonpayment within thirty days from the due date will result in the sewer service being shut off from the customer's property, with no final notice being sent.
3. In the event it becomes necessary for IRM Utility to shut off the sewer service from the customer's property, a fee of \$10.00 will be charged for disconnection of the service.
4. Before the service can be reconnected, all charges must be paid, including a re-connection fee of \$15.00.
5. A \$20.00 service charge will be applied for any returned checks.

This agreement shall remain in effect for the duration of time that the customer owns the above described property.

IN WITNESS THEREOF, we have executed this agreement this 15<sup>th</sup> day of OCTOBER, 2003

**IRM** Utility, Inc.



President

Customer

